

Marketing Live Stock Co-Operatively

Organization Owned and Controlled by 23,000
Farmers Has Eliminated Expensive Middlemen

By E. G. HERST

JUST how far farmers may go in the handling of their market live stock so that they may obtain the best returns, constitutes one of the greatest problems of producers today. The formation of co-operative live stock shipping associations has been a big step in the right direction, but aside from eliminating one middleman, the local buyer, they have accomplished little else.

In some sections federations of shipping associations have been formed through which practically all the co-operative and individual shipments of live stock of districts and even whole counties are marketed. This is another step forward in the field of more efficient marketing, but there still remains a huge gap between the farmer and the big buyers of his stock—the packers and the farmer buyers of stock and feeding animals, who, in so far as the producer is concerned, are the ultimate consumers.

That there is an absolute need for farmers to be represented on the terminal live stock markets is beginning to be conceded generally, although comparatively few producers realize fully the magnitude of the enormous business they are required to support and the many dishonest practices which they have been compelled to tolerate. On the Chicago market alone there are more than 500 speculators and about 100 privately-owned commission firms, all of whom are so thoroughly organized for their mutual protection that farmers are at their mercy absolutely as soon as their live stock is placed in the pens on the markets. At South St. Paul there are 34 commission and 54 speculative firms. Similar conditions prevail on every large terminal live stock market of the United States.

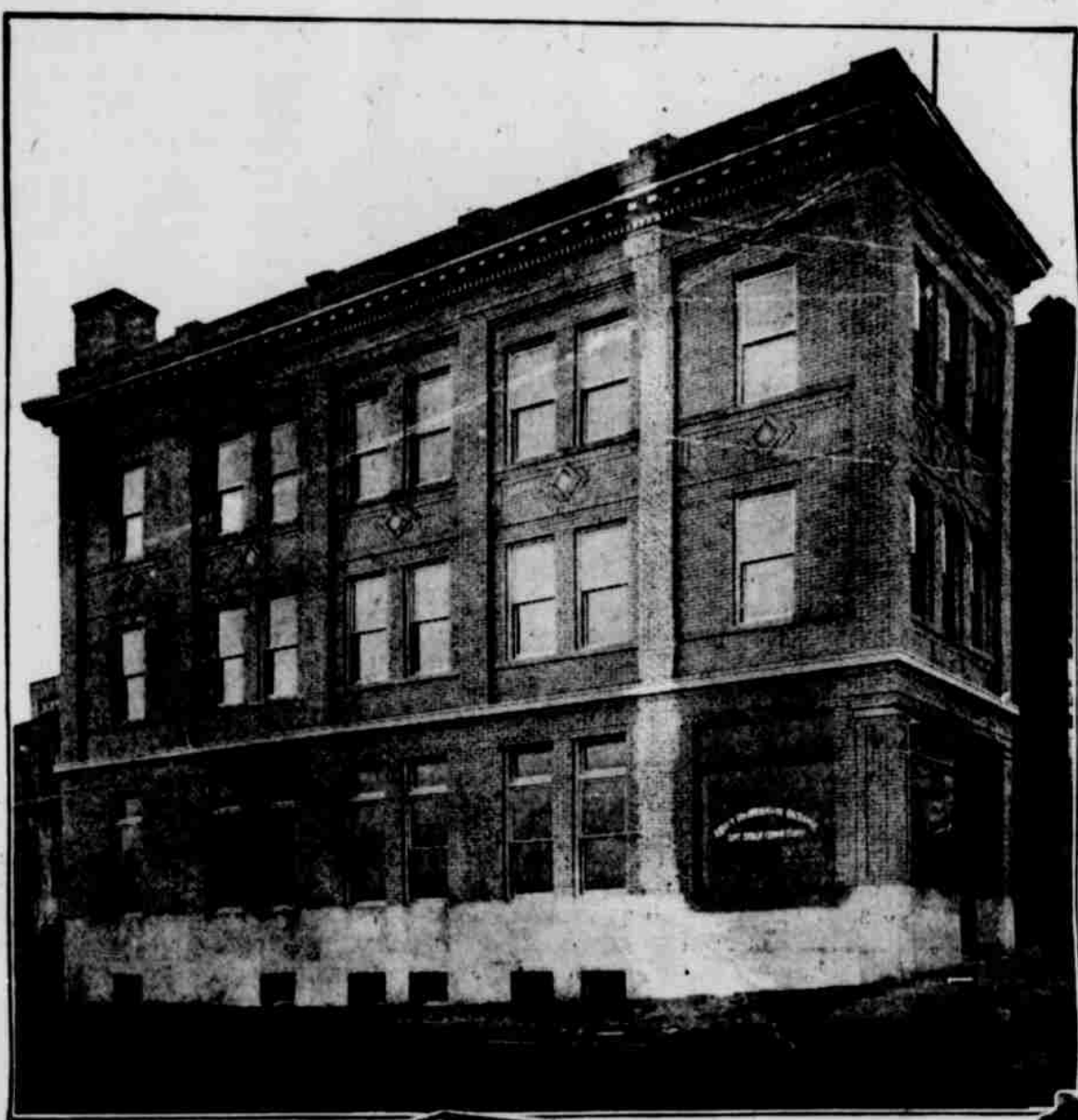
Of the two largest farmer-owned and co-operative live stock selling agencies operating on the principal terminal markets, the Equity Co-Operative Exchange at South St. Paul and Chicago is the largest and oldest in the Northwest states. In fact, it is the only live stock marketing organization owned and controlled solely by farmers on those two great markets at the present time.

The Equity Co-Operative Exchange had its inception back in 1908, when farmers of North Dakota, having become dissatisfied with the returns they were receiving for their wheat on the terminal grain markets, set about to form their own marketing machinery at Minneapolis, and later at St. Paul, to obtain a fair price. This they believed could be accomplished by the establishment of their own marketing agency, with an endeavor to deliver the grain to the millers and for export without the intervention of unnecessary middlemen. Despite opposition on all sides, this little farmer organization, after eight years of struggle and hard work against strongly organized interests, came into its own, and now is a prosperous and fast-growing marketing organization with a paid up capital of more than \$1,560,000. It has 80 country elevators and one large terminal elevator at St. Paul, with a capacity of 550,000 bushels.

Having learned the value of co-operation in the marketing of grain without the intervention of a host of middlemen and speculators, farmer members of the Equity Co-Operative Exchange placed faith in the ability of their organization to serve them in the live stock trade as well. They saw no good reason why they could not sell their live stock through similar channels by establishing their own selling agency on the terminal market. Consequently plans were made, an organization perfected with an office, a sales force and an allotment of pens at the South St. Paul stock yards. October 1, 1916, marked the first business day of the organization on that market, and during the first month 107 cars of live stock were received, and during the second, November, the number was increased to 141.

Opposition was met, as was expected, from the commission men and speculators, already established there. Drastic rules were drawn up by the Live Stock Exchange and heavy penalties were imposed on any of its members who dealt in any way whatsoever with the new farmer company. They were determined to smash

the co-operative movement in its infancy, but the loyalty and determination of its members formed a bulwark that could not be broken down. The excellent service given in the sale of fat and stocker and feeder live stock, and, in the case of stockers and feeders especially, the savings made by only the one handling in the route from the producer to the farmer buyer, proved to its members and many others that co-op-



Above—Equity Co-Operative Exchange in South St. Paul, Minn., which handled 3,383 cars of live stock in 1920. The exchange is owned and controlled by 23,000 farmers of the Northwest, who joined the organization to eliminate the middleman, to whom a large share of their profits was going.



The elevator owned by the exchange in St. Paul, which has a capacity of 550,000 bushels of grain. The exchange delivers grain direct to the millers.

erative marketing on the terminal market was possible as well as profitable.

In the brief period of its existence the Equity Co-Operative Exchange grew from the smallest to the next largest commission firm on the South St. Paul market. At its present rate of growth there is no question that this farmers' selling organization will be the leading firm at that point by the end of the current year. Following is a table showing the total number of cars received during the time of its operation on that market and the amounts of the gross sales made each year:

| Year | Cars Rec'd. | Gross Sales |
|-----------------|-------------|---------------|
| 1916 (3 months) | 320 | \$ 434,247.63 |
| 1917 | 1,585 | 2,868,896.14 |
| 1918 | 2,312 | 4,786,607.52 |
| 1919 | 2,309 | 5,089,816.12 |
| 1920 | 3,383 | 6,073,566.85 |
| 1921 (6 months) | 1,704 | 2,339,145.87 |

It will be noted in the foregoing figures that the number of cars received in 1919 was slightly less than the number received in 1918. This was due to the Equity Co-Operative Exchange withdrawing its soliciting for live stock in North Dakota in that year, when the Equity Co-Operative packing plant opened at Fargo, with an understanding that all surplus which the plant could not handle would be shipped to the Equity Co-Operative Exchange at South St. Paul. The plant never had and does not now have any official or financial connection with the Equity Co-Operative Exchange.

It also will be noticed in the foregoing figures that this organization handled 1,704 cars at South St. Paul during the first six months of the present year. Compared to the first six months of 1920, when 1,295 cars were received, an increase of 409 cars, or more than 31 per cent, was made. The entire live stock receipts of the South St. Paul market decreased 15 per cent during this same period.

In August, 1918, the Equity Co-Operative Exchange opened its second branch on the Chicago market and since its beginning there it has shown a growth corresponding with the one at South St. Paul. During the first six months of the present year the business of the Chicago establishment showed a healthy increase of 54 per cent over the same period last year, while the entire receipts of the Chicago yards increased only about one per cent.

The governing body of this organization is a board of nine directors. These directors serve three years and three are elected by the stockholders at each annual meeting. Stockholders are entitled to only one vote, regardless of the number of shares held. Under the articles of incorporation and by-laws no one person can own more than 20 shares of capital stock. A shareholder owning but a single share has as much voice in a stockholders' meeting as one holding the maximum number. This control by farmers themselves makes the organization strictly and absolutely co-operative. Its stockholders control the business themselves through the wide distribution of its stock and the inability of any individual or group of individuals to get control. All the profits it earns are reserved for the producers, who make up its membership, and for its patrons. Those who furnish the business share the profits through patronage dividends. The organization is fully democratic in management, having initiative and recall and direct mandate in regard to policies or officers. A referendum or recall can be ordered by 25 per cent of the stockholders at any annual meeting.

The rapid growth of the Equity Co-Operative Exchange is proof that producers of live stock are fast learning to appreciate the value of co-operation in the selling of their products. However, much educational and promotional work is needed to teach farmers the benefits that are to be derived from co-operation and organization along that line.

Heretofore the farmers have been drilled and urged incessantly in better methods of production, with practically no effort made toward more efficient means of marketing what they produced. The wide margin that now exists between the buying price paid the producer and the selling price charged the consumer has awakened both classes to a realization of the big waste and

inefficiency that exists in present marketing systems. To bring the consumer and the producer closer together has been the cry for a number of years, but it has only been in the last year or two that a nation-wide movement has been started toward this end.

It is the chief object of these co-operative marketing organizations to sell farm products at lower cost to consumers, and at the same time benefit the producers by paying them a higher price than they are now receiving for their products.

In the past two years farmers have lost heavily in not being able to get so much as the cost of production for their crops. What producers desire in the way of returns is the cost of production plus a reasonable profit.

That the Equity Co-Operative Exchange opens up trade channels that benefit the producer and consumer is shown by the loyal support of its 23,000 farmer-members and the recognition it has received from the American Farm Bureau Federation.

At a recent meeting of the Committee of 15 a report was adopted recommending farmer-owned co-operative commission companies on the terminal live stock markets. The report expresses the thought that existing producer-owned live stock commission companies are to form an integral part of a national marketing plan. With such assurance, little doubt remains that the Equity Co-Operative Exchange, the only co-operative live stock marketing agency on the Chicago and South St. Paul markets, and other existing real co-operative live stock commission companies on other markets will form the foundation on which to build a nation-wide farmer-owned marketing organization.